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C O N F I D E N T I A L SECTION 01 OF 04 DOHA 000505

SIPDIS

DEPARTMENT FOR ISN, T, AND NEA

E.O. 12958: DECL: 07/13/2018

TAGS: [PREL](#) [KTFN](#) [KNNP](#) [INRB](#) [PARM](#) [MNUC](#) [ECON](#) [EFIN](#) [IR](#) [OA](#)
SUBJECT: QATAR CONTINUES BALANCING ACT WITH IRAN'S BANK
SADERAT

REF: SECSTATE 67950

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Classified By: CDA Michael A. Ratney, reasons 1.4 (b) and (d).

¶1. (C) SUMMARY: Qatar's Deputy Central Bank Governor Sheikh Fahad Bin Faisal Al Thani told Charge the early June opening of a second Bank Saderat branch in Doha was the result of last-minute Iranian action on an old license. He asserted that the Central Bank is watching Iranian activity closely but expressed concern over the possibility of masked accounts and investment activities. Sheikh Fahad provided a copy of a confidential Central Bank circular ordering local banks to check their records for entities sanctioned under UNSCR 1803.

Separately, Post obtained a recent letter from the Qatar Financial Center to its registered firms warning about Iran's lack of comprehensive anti-money laundering/combatting the financing of terrorism (AML/CFT) controls. Post believes the GOQ sees a limited Iranian banking presence as placating its larger neighbor's aggressive push for expanded economic ties without undermining tougher sanctions by the United States and international community. END SUMMARY.

Demarche on Second Bank Saderat Branch

¶2. (C) Deputy Central Bank Governor and Chair of the National Anti-Money Laundering and Terrorism Financing (AML/CFT) Committee Sheikh Fahad Bin Faisal Al Thani told Charge and Econoff July 13 that Bank Saderat's second branch in Qatar opened under an old license the Central Bank had issued "a long time ago" on which the Iranians had not acted. Sheikh Fahad explained that the Central Bank had recently informed Bank Saderat that the license would be soon be revoked because it had been dormant for so long; this was apparently the impetus for Saderat's decision to open a second branch.

¶3. (C) In delivering reftel demarche, Charge emphasized to the Deputy Governor that Bank Saderat is an entity of concern due to its involvement in the financing of terrorist groups and Iran's nuclear proliferation activities. He stressed that the bank's continued presence would harm Qatar's financial reputation in the eyes of United States and the international community.

¶4. (C) Sheikh Fahad did not respond directly to these concerns but noted that Bank Saderat's activities in Qatar remain small and that Qatar's Financial Information Unit (FIU) gives priority to scrutiny of the bank's transactions. To illustrate his point, he showed Charge copies of internal Central Bank spreadsheets documenting Bank Saderat's

transactions and accounts. Sheikh Fahad noted that Qatar has not/not seen suspicious Iranian diplomatic activity as has occurred in other countries, but he worried Iran may be depositing state funds into individuals' personal accounts. According to the spreadsheets Sheikh Fahad displayed, Bank Saderat in Qatar maintains small accounts with Doha Bank, Future Bank, and Qatar National Bank (QNB). For example, the QNB account holds 114,000 Qatari Riyals (about USD 31,318). Sheikh Fahad said he did not know the purpose of these accounts but opined that they could be for facilitating trade or investment activity. Separately, he suspects some Qataris may be working with Iranians to conceal the true extent of investment activity, especially in the real estate sector, where he suspects that Shi'a families in Qatar may receive commissions in exchange for helping Iranians invest in building projects.

Central Bank Circular on Iran

¶ 15. (C) Sheikh Fahad provided a copy of a confidential Central Bank circular from April, directing all banks in Qatar to check their records for transactions involving the entities named in UNSCR 1803 as subject to a travel ban and asset freeze. (Note: As Sheikh Fahad provided this in confidence, addresses should regard it as classified.) An unofficial embassy translation of the circular and summary of the attachments follows:

Date: April 10, 2008

Circular Number 54/2008

To all banks operating in Qatar

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Subject: Financial Transactions, Accounts, and Private Companies' and Individuals' Deposits, as attached

Under Article 79 of the decreed law number 33/2006, the Qatar Central Bank must be urgently informed of any bank, financial, account, or deposit transactions involving any of the companies or individuals listed in the relevant attachments. Because of the high importance of this issue, you are requested to respond immediately and keep the necessary confidentiality.

(Signed) Fahad Bin Faisal Al Thani, Deputy Governor

Attached: List of individuals and companies

Attachment 1: List of companies and agencies of Iranian nationality (Note: Listed are the 12 names from UNSCR 1803, Annex 3).

Attachment 2: Personal Names of Iranian Nationality (Note: Listed are the 18 names from UNSCR 1803, Annex 1).

Attachment 3: FINCEN Advisory from March 20, 2008 - "Guidance to Financial Institutions on the Continuing Money Laundering Threat Involving Illicit Iranian Activity."

Attachment 4: FATF Statement from February 28, 2008 which includes warning on Iran's lack of comprehensive AML/CFT controls.

¶ 16. (C) Sheikh Fahad also provided a reply letter from Bank Saderat to the Central Bank which said that the bank did not/not find any accounts connected to the identifying information listed in the circular. An unofficial embassy translation of the letter follows:

April 13, 2008

Sheikh Fahad Bin Faisal Al Thani
Deputy Governor
Doha, Qatar

(Standard Greeting),

In reference to your circular number 54/2008 dated 4/10/2008, please be informed that the individuals, agencies, and organizations mentioned by name in the lists attached to the mentioned circular do not have any accounts or bank or financial transactions with the Bank Saderat branch in Doha.

(Standard Closing),

Bank Saderat Iran

FIU Chief on Iran, Qatar's FATF Evaluation

¶7. (C) In a separate meeting on July 13, Qatar's FIU Chief Sheikh Ahmed Bin Eid Al Thani told Econoff that Bank Saderat had invited him to the opening of the second branch in early June, but he declined to attend. He said the bank took out an advertisement in a local paper to announce the opening and listed his name and other officials as guests. He speculated that the bank merely published the guest list, not the actual list of attendees.

¶8. (C) Sheikh Ahmed said that he had been working non-stop to prepare for Qatar's MENA-FATF evaluation report. He noted that the discussion of Qatar stretched to nine hours at the April MENA-FATF meeting - "setting a new record" - but he was pleased with the scrutiny because it would help Qatar focus on the areas for improvement. The FIU Chief added that many of the recommended changes can be accomplished at the ministry level (i.e., without a royal decree or change in law), and the AML/CFT Committee was working to coordinate their implementation. He professed not to know when Qatar would form a single financial regulator but hoped it would be soon, as its establishment would streamline the FIU's job. He concluded that AML/CFT Committee Chair Sheikh Fahad was pressing him to complete a follow-up report for FATF in one year, vice the normal two year timeframe typical for such reports.

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Qatar Financial Center Warning on Iran

¶9. (C) Separately, an American contact at the Qatar Financial Center provided Econoff with a copy of a QFC letter which was recently issued to each of the 70 registered firms in the Center. (Note: The QFC is a parallel financial services "free zone" with its own, generally more stringent, set of regulations distinct from the Central Bank). The text of the letter is as follows:

Dear (Name)

(Firm name and License number)

FATF Statement - Jurisdictions with Deficient AML/CFT Regimes

The National Anti-Money Laundering and Terrorism Financing Committee has recommended that the Qatar Financial Centre Regulatory Authority ("QFC Regulatory Authority") distribute the enclosed Financial Action Task Force Statement (28 February 2008) to all Relevant Persons. In the statement FATF expressed concern about the lack of comprehensive AML/CFT systems in Uzbekistan, Iran, Pakistan, Turkmenistan, Sao Tome and Principe and the northern part of Cyprus.

This step reflects the State of Qatar's serious commitment to the fight against money laundering and terrorist financing, particularly to ensure that financial institutions are aware of jurisdictions with AML/CFT deficiencies.

The QFC Regulatory Authority takes this opportunity to remind Relevant Persons of their obligation under Article 14 of the QFC Anti Money Laundering Regulations to have arrangements in place to obtain and ensure proper use is made of government, regulatory and international findings, including those issued by the Financial Action Task Force.

As you are aware, Relevant Persons must examine and pay special attention to any Transactions or business relations with Persons (including Beneficial Owners) located in a country or jurisdiction identified as deficient, including those described in the attached FATF Statement.

Further, any Relevant Person considering Transactions or business relationships with Persons located in any jurisdiction identified as deficient must be aware of the background against which the assessment or specific recommendations have been made.

The QFC Regulatory Authority expects that your firm's systems and controls have operated in compliance with the AML Regulations and that proper use has been made of the FATF findings.

Any questions should be directed to your firm's case officer in the Supervision Division or to Andrew Sealey in the Legal and Regulatory Compliance Division (495-6831).

Yours sincerely,

Phillip Thorpe
CEO & Chairman

(End text of letter)

Bank Saderat Identifying Information

¶110. (U) The second Bank Saderat branch opened on June 1, 2008. At least for now, it has the same contact information as the first branch:

Bank Saderat
P.O. Box 2256
Doha, Qatar
Tel: 974-443-0346
Fax: 974-443-0121

The first branch is located on Grand Hamad Street near the Gold Souq. The second branch is located on Salwa Road, near Ayn Khalid Roundabout, across from Lord's Furniture.

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COMMENT: Saderat Part of a Larger Balancing Act with Iran

¶111. (C) The background information provided by the Deputy Central Bank Governor and the FIU Chief suggest that Bank Saderat's role in Qatar's financial sector remains small and that the Iranian authorities sought the second branch as a means to expand channels for financial activity given the increasingly restrictive international environment for Iranian financial entities.

¶112. (C) While Sheikh Fahad has an important regulatory and monitoring role within the GOQ, and he is clearly concerned about Iranian and Shi'a banking and investment activity in

Qatar, it is also clear that he sees the presence of Bank Saderat as a political issue above his pay grade. Press reports amplify what we hear privately from various Qatari contacts: that Iranian officials are frequently pressing their Qatari interlocutors for expanded bilateral economic ties. The GOQ is carrying out a delicate balancing act with its larger neighbor (with which it shares trillions of dollars of potential natural gas wealth) - permitting economic activity, primarily payments of remittances to Iran which can be openly monitored, while guarding against actions by Iranian entities that would jeopardize Qatar's international reputation as a developing financial hub. We expect the GOQ to keep a close watch on Bank Saderat's activities but not to close any of the bank's Doha branches absent a UN Security Council Resolution specifically sanctioning the bank. END COMMENT.

¶13. (C) BIO NOTE: Sheikh Fahad is an unusually (by Qatari standards) open and fluid interlocutor who enjoys give-and-take when by himself. Unfortunately, Emboffs usually only see him in conjunction with the Central Bank Governor, who is friendly but tends to stick to standard talking points. Sheikh Fahad is in his mid-40s, educated in the U.S. (he received a Bachelor's Degree at Portland State) and genuinely cares about protecting the financial integrity of his country. He is also more inclined to be helpful when separated from his boss; for instance, he provided us with a copy of the internal circular on background, even asking us to hide it from the secretary who sits outside his office.

RATNEY